



## MILLENNIUM CHALLENGE CORPORATION

[MCC FR 22-06]

### Notice of Entering into a Compact with the Government of Lesotho

**AGENCY:** Millennium Challenge Corporation.

**ACTION:** Notice.

**SUMMARY:** In accordance with the provisions of the Millennium Challenge Act of 2003, as amended, the Millennium Challenge Corporation (MCC) is publishing a summary of the Millennium Challenge Compact (Compact) between the United States of America, acting through MCC, and the Kingdom of Lesotho (Lesotho), acting through its Ministry of Foreign Affairs and International Relations. Representatives of MCC and Lesotho signed the Compact on May 12, 2022. The complete text of the Compact has been posted at:

<https://assets.mcc.gov/content/uploads/compact-lesotho-health-and-horticulture.pdf>

(Authority: 22 U.S.C. 7709 (b)(3))

Dated: May 16, 2022.

**Thomas G. Hohenthanner,**  
*Acting VP/General Counsel and Corporate Secretary.*

## SUMMARY OF LESOTHO COMPACT

### Overview of MCC Lesotho Compact

MCC's five-year Compact with the Kingdom of Lesotho in the amount of \$300 million aims to reduce poverty through economic growth, targeting key binding constraints in the health, finance, and agriculture sectors. The compact will address these constraints through four key projects that seek to grow, strengthen, and organize the private sector in Lesotho by improving health outcomes for a healthy workforce, investing in the horticulture sector, and supporting the creation and viability of private businesses unconnected to existing patronage systems. MCC expects that providing infrastructure and capacity building in a specific sector, promoting business development, and ensuring access to healthcare will contribute to broader, longer-term efforts to support private sector growth to create a constituency that demands more effective and efficient governance. The Government of Lesotho will also contribute approximately \$22 million to support the compact program.

### Project Summaries

The compact is comprised of four projects:

1) The **Health Systems Strengthening Project** aims to improve the delivery of health services and management of the primary health care system in Lesotho resulting in improved health outcomes and reduced treatment costs. The project includes three activities:

- *Primary Health Care Service Provision Activity* – This activity will support the Ministry of Health to improve primary healthcare services from ministry-level management to clinic-level standards of care.
- *District Health Management Team Reform Activity* – This activity will expand health financial systems and management capacity to the district level.
- *Digital Health Services Activity* – This activity will work with the Ministry of Health and other stakeholders to ensure that health data systems are interoperable and protect sensitive personal information.

2) The **Market Driven Irrigated Horticulture Project** aims to: increase rural incomes related to commercial horticulture, including for women, youth, and the rural poor, and establish a sustainable and inclusive model of irrigation, water resource, and land management. The project's implementation is contingent upon the identification of one or more commercial anchor farmers who will collaborate with local smallholder farmers to improve and sustain best practices in horticulture and to provide a financially viable path for all project stakeholders to remain active in horticulture production after the end of the compact. The project is composed of three activities:

- *Institutional Reform Activity* – This activity will work directly with Government of Lesotho partners to ensure that irrigation has strong legal and policy frameworks to support the growth of equitable and sustainable irrigation throughout the country.
- *Irrigated Horticulture Support Services Activity* – This activity will help participants overcome the obstacles to sustaining irrigation schemes by providing relevant technical assistance and attracting experienced commercial farmers in the form of an anchor farmer or joint venture partnership to help leverage smallholder efforts and sustain the infrastructure investment.
- *Irrigation Infrastructure Development Activity* – This activity includes the development of up to 2,000 hectares of irrigated land at several sites still under study. Further feasibility and design work to be conducted prior to entry into force of the compact will refine the size and location of the irrigation perimeters and identify measures for environmental and social sustainability. Commercial farmer investments are necessary to ensure economic justification and sustainability of the investment.

3) The **Business Environment and Technical Assistance Project** aims to stimulate an increase in firm-level profits and formal employment from a pipeline of supported firms, including for micro, small, and medium enterprises owned by women and youth and in rural areas. These businesses will participate in the Public-Private Dialogue, which results in provision

of critical services to improve the business enabling environment. This project is organized into three activities:

- *Pipeline Development Activity* – This activity will identify, build and connect existing and new high-growth potential firms to direct technical assistance and business development services to support increased firm level profits and business maturation. This activity will provide grants to select women- and youth-owned businesses to purchase equipment and goods to facilitate business plan implementation.
- *Business Ecosystem Strengthening Activity* – This activity strengthens the Public-Private Dialogue mechanism to increase private sector participation in policy decisions and improve delivery of critical services to improve the business environment.
- *Financial Ecosystem Strengthening Activity* – This activity will increase financing options for micro, small, and medium enterprises and large firms by structuring financing vehicles that address access to credit issues for firms and building the capacity of financial sector actors to develop and deliver innovative financial products.

4) The compact program also includes a \$3 million allocation for the **American Catalyst Facility for Development (ACFD) Project**. The purpose of this funding is to support blended finance transactions that will catalyze private investment into Lesotho. MCC and the U.S. International Development Finance Corporation have discussed potential investments including a small and medium enterprise working and growth capital fund, agriculture sector investments, and projects in the health sector.

### **Compact Budget**

The table below presents the compact budget and sets forth both the MCC funding allocation by compact components and the Government of Lesotho's expected contribution toward the objectives of the compact.

| <b>Component</b>   | <b>Total Funds</b>   |
|--|----------------------|
| <b>Health Systems Strengthening Project</b>                  | <b>\$75,405,000</b>  |
| Activity 1: Primary Health Care Service Provision            | \$30,338,000         |
| Activity 2: District Health Management Team Reform           | \$22,541,000         |
| Activity 3: Digital Health                                   | \$22,526,000         |
| <b>Market-Driven Irrigated Horticulture Project</b>          | <b>\$118,622,000</b> |
| Activity 1: Institutional Reform                             | \$22,200,000         |
| Activity 2: Irrigated Horticulture Support Services          | \$29,110,000         |
| Activity 3: Irrigation Infrastructure Development            | \$67,312,000         |
| <b>Business Environment and Technical Assistance Project</b> | <b>\$62,000,000</b>  |
| Activity 1: Pipeline Development                             | \$29,000,000         |
| Activity 2: Strengthening the Business Ecosystem             | \$20,000,000         |
| Activity 3: Financial Ecosystem Strengthening                | \$13,000,000         |
| <b>American Catalyst Facility for Development Project</b>    | <b>\$3,000,000</b>   |
| Activity 1: American Catalyst Facility for Development       | \$3,000,000          |
| <b>Monitoring and Evaluation</b>                             | <b>\$3,000,000</b>   |
| Activity 1: Monitoring and Evaluation                        | \$3,000,000          |
| <b>Program Administration</b>                                | <b>\$37,973,000</b>  |
| Activity 1: MCA-Lesotho II Administration                    | \$25,953,000         |
| Activity 2: Fiscal Agent                                     | \$5,700,000          |
| Activity 3: Procurement Agent                                | \$5,700,000          |
| Activity 4: Audits   | \$620,000            |
| <b>Total Compact Investment</b>                              | <b>\$322,273,000</b> |
| MCC Funding  | \$300,000,000        |
| Government of Lesotho Contribution                           | \$22,273,000         |

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